feared.'' He expressed disappointment, however, that diplomacy has been unable to prevent the likely resumption of the tragic conflict in Bosnia. ''I bring you no optimism on Bosnia.'' Following Holbrooke, two expert witnesses—John Lampe of the Woodrow Wilson Center for International Scholars, and Steve Walker of the Action Council for Peace in the Balkans—presented views on various policy options. While they disagreed on what to do, they both expressed dismay that a full and fair settlement remains so elusive.

INTRODUCTION OF THE INVESTMENT COMPANY ACT AMENDMENTS OF 1995

HON. JACK FIELDS

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Friday, April 7, 1995

Mr. FIELDS of Texas. Mr. Speaker, today I introduce legislation amending the Investment Company Act of 1940. Entitled the Investment Company Act Amendments of 1995, this legislation will promote more efficient management of mutual funds. It will result in reduction of operating costs that will save investors money, and allow a greater percentage of the assets of the fund to work on their behalf. This legislation will also provide for more effective and less burdensome regulation of mutual funds by the Securities and Exchange Commission, and it will increase and improve investor protection.

Enacted in 1940 and amended in 1970, the Investment Company Act built the foundation for a system that regulators and regulated entities alike agree has protected investors. For the most part it has not interfered with the development of new products and the creation of investment opportunities. There is a need, however, to reexamine the operation of the act, as our financial markets have expanded in size, complexity, and investment opportunities.

The goal of this legislation is to revise the provisions of the law that no longer reflect the demands of modern markets. We must be vigilant in our efforts to relieve mutual funds of the remaining unnecessary and duplicative regulatory burdens that remain in the current law. The operating costs of mutual funds represent the expenditure of moneys that reduce the pool of assets owned by the shareholders, and a reduction in the capital that is at work earning a return for them. Government imposed regulations that do not increase investor protection fail the cost/benefit analysis to which all regulations should be subjected. They mandate the waste of potentially productive resources. They represent, in effect, an undesirable tax on capital, the most pernicious form of tax. Unnecessary regulations do nothing except reduce the wealth of American citizens.

To this end, the Securities and Exchange Commission conducted its own review of the operation of the Investment Company Act. On the occasion of the 50th anniversary of the adoption of the statute, the SEC produced a comprehensive and valuable report. Entitled ''Protecting Investors: A Half Century of Investment Company Regulation,'' the legislation introduced today is based, in part, on a number of its recommendations.

For example, the SEC report recommended amending the act to expand exemptions for private investment companies, pools of money from sophisticated investors, from its registration requirements. This legislation will do that, but in a way that will insure that only pools of the most sophisticated investors, people who are not in need of the protection of registration under the act, are exempted. Regulation imposes costs, and sophisticated investors not in need of or desiring the protection of the act should be free to voluntarily accept greater risk return for the opportunity of greater reward. Exemptions from registration and regulation, however, will not be made available for those products that will be sold, perhaps, to less sophisticated investors. There is no intention in this legislation to allow a generation of unregistered investment companies to be offered to the general public.

This bill also proposes to implement the SEC recommendations for improving and modernizing mutual fund governance. This will include requiring a majority of the boards of directors of mutual funds to be composed of independent directors, and increasing the authority and responsibility of independent directors in running the fund.

The legislation will also make mutual fund regulation more efficient by eliminating requirements that are expensive to comply with and which do not increase investor protection. This includes eliminating the requirements of the existing law for shareholder ratification of certain routine corporate actions, including approval of the selection of auditors.

Provisions of this legislation will stimulate a reexamination of the rules governing investment company advertising. As introduced, it will break existing regulatory restraints on promotion and sales literature of investment companies. Current law requires the contents of fund advertising to be keyed exclusively to information which is either specifically or ''the substance of which'' is in the prospectus. This requirement is so inflexible it stifles the development of effective investor communications by those who market mutual funds. Although advertising puffery will never be tolerated in the sale of these important investments, and the antifraud provisions of the Act will remain in force and unchanged to govern statements made in connection with the sale of these investments, a new era of generally improved communications to mutual fund investors will begin with the enactment of this legisation.

Finally, in 1970 Congress adopted restrictions on the investment in mutual funds by other funds. This arose from concerns about the possibility of investors paying duplicative expenses and layers of fees. Restrictions on ''fund of fund'' investments may not be necessary in the modern markets of the 21st century which include negotiated commissions, technological oversight of the markets, increased competition, and improved Government regulation of mutual funds.

Reexamination of fund of funds restrictions is necessary because professional money management should be available to all investors, including those who themselves invest on behalf of mutual fund investors; that is, professional money managers. Fund managers may wish to benefit, on behalf of the investors in their mutual fund, from the expertise of other professionals in investments with which they themselves may not be familiar. With the opening of new markets around the world, and the constant development of new and often complex instruments for investment and hedging, it is unrealistic to believe that every fund manager can be knowledgeable in every product offered in every market. Fund managers should have available to them the opportunity to commit moneys to investments which are managed by individuals with particular expertise in certain instruments or markets. Mutual funds allow this to be done in a manner which provides for the diversification of risk. The decision of whether a mutual fund is a worthwhile investment should be left to the investor, whether individual or professional, and not be artificially restrained by statutory provisions the reasons for which may no longer be valid.

The legislation introduced today is a work in progress, intended to stimulate discussion of these proposals for modernization. Our subcommittee will actively seek input from investors, regulators, and the financial service industry for additional reforms as this bill moves through the legislative process. Inevitably there will be refinements of the specific proposals of the bill as introduced.

I encourage my colleagues, on behalf of their constituents, Government regulators, and the affected industries to offer their suggestions for improving the efficiency of the mutual fund market by removing unnecessary regulatory burdens. Efficient markets create additional opportunities for investors to earn returns on their savings. This is how the American people, a nation of investors, provide for their general welfare, the education and needs of their children, and the security of their retirements. The legislation I introduce today will help them accomplish their goals.

CONGRATULATIONS SHELBYVILLE HIGH SCHOOL RAMS

HON. GLENN POSHARD

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Friday, April 7, 1995

Mr. POSHARD. Mr. Speaker, I rise today to congratulate the Shelbyville High School Rams on their ''Elite Eight'' season. Shelbyville has historically been the place to be in central Illinois during basketball season. This year was no different, and when the Rams made it to Champaign for the big dance no one was surprised.

Led by freshman Head Coach Sean Taylor, and his assistant coaches, Bob Herdes and Jarret Brown, the Rams were able to compile a new all-time season high record of 28 and 4, win their first regional title in 6 years, and only their second sectional and super-sectional titles in the school's history.

You might think that this is the season of a veteran basketball team, but each of the Rams' starting five were underclassman. The future of Shelbyville basketball looks brighter than ever and I commend this fine group of young people on their accomplishments.

The roster of Shelbyville cagers is one of the best to ever hit the hardwood and includes: Kevin Herdes, Roger Jones, Rich Beyers, Mike Steers, Todd Wilderman, Joshua Forsythe, Alex Miller, James Brix, Tim Hardy, Harlan Kennell, Aaron Rohdemann, Ryan Shambo, Ben Short, Aaron Clark, Derk Williams, Jefrey White, Dirk Herdes, and Tom

Hammond. They should all be proud of their role in the Rams' success.

I am honored to represent these excellent ballplayers in Congress, and I look forward to seeing the Rams take to the court for another season next fall.

THE KANOTIN CLUB

HON. JAMES A. BARCIA

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Friday, April 7, 1995

Mr. BARCIA. Mr. Speaker, one of the greatest abilities demonstrated by people is their ability to come together on behalf of a common purpose. This joining takes place in many ways, but one of the most important to our society is through the formation of a club.

One of the oldest clubs within my congressional district is the Kanotin Club, dating back to the late 1800's. This club is located is Iosco County, and is named for the Indian chief who signed treaties with the United States conveying land, including Iosco County, which was originally known as Kanotin County.

The purpose of this club is to provide a location and forum for political, economic, and social leaders of northeastern Michigan to exchange ideas, wisdom and knowledge to further the economic and social development and well being of the area. This laudatory purpose has succeeded in bringing together a diverse group of skilled and insightful community leaders who have keenly devoted themselves to the purpose of improving their community.

While many organizations like to identify a long list of specific achievements, the Kanotin Club is truly interested in listing only one: Members working together to make the quality of life in their community better and better. They do not seek recognition for any specific project, preferring the satisfaction of knowing that what they did was right to the fleeting moment of notoriety in the Sun. This combination of humility and service is to be praised.

In this day of finding ways of forging new partnerships, of getting government officials, local businessmen, and other community leaders to work together. I strongly believe that we need look no further than the Kanotin Club for a model of what will guarantee strong and hopeful future for every community throughout our great Nation. Mr. Speaker, I urge all of our colleagues to join me in saluting the quiet efficacy of the Kanotin Club through those many years.

SOCIAL SECURITY 1993 TAX INCREASE

HON. CHARLES E. SCHUMER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Friday, April 7, 1995

Mr. SCHUMER. Mr. Speaker, I rise in opposition to the Republican tax cut bill. It will bust the budget and give most of the benefits to the very wealthy and to corporations that have historically tried to avoid paying taxes.

One part of the bill that I strongly support is the repeal of the Social Security tax increase from the 1993 deficit reduction bill. As you may recall, I fought against this increase in 1993 and I was successful in helping to increase the income threshold for this unfortunate tax. Nevertheless, I felt then, and I feel now, that many seniors with modest incomes are hit by this tax increase.

It is my hope that the Senate will moderate this tax giveaway to the very wealthy and keep the repeal of the Social Security tax increase so that I may vote for the Conference agreement. It is a shame that the Republicans decided to put one good item in a bill that is nearly all bad. We should repeal the Social Security tax increase, but not use it to blackmail Members to vote for a bad bill.

THE CONSUMER FRAUD PREVENTION ACT OF 1995

HON. FREDERICK K. (FRED) HEINEMAN

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Friday, April 7, 1995

Mr. HEINEMAN. Mr. Speaker, I am proud to introduce my first bill today, the Consumer Fraud Prevention Act of 1995.

Last Friday, the North Carolina Attorney General filed another telemarketing fraud suit against individuals who prey on senior citizens. The victim, a 71-year-old woman. The cost—her life savings of $57,000. An elderly man in Raleigh recently lost $37,000. In Durham, an elderly lady lost $212,000 in a scam directed at seniors.

Unfortunately, these have not been isolated incidents. Telemarketing scams are defrauding senior citizens and those who are especially vulnerable, like the mentally retarded, all across the United States. Another appalling story is that of the 79-year-old blind woman from Minnesota who lost her life savings in a sweepstake scam. She responded to a solicitation which invited her to enter a contest for large cash prizes. Along with a small entry fee she was required to answer a simple question. To advance in the contest she had to answer more questions and pay additional fees. In all, she lost $25,000.

These fraudulent activities are not performed by legitimate companies, but by those who prey on the vulnerability of certain groups. That is why I am introducing this legislation.

The Consumer Fraud Prevention Act directs the U.S. Sentencing Commission to increase penalties for those who purposefully defraud the vulnerable in our society and those who utilize international borders to evade prosecution. The legislation also requires mandatory victim restitution first, then asset forfeiture. Once the victim is repaid, the property seized from the defendant will be used to fund the national hotline to combat fraud.

As a senior citizen myself, I am proud to offer this bipartisan legislation today on behalf of our Nation's senior citizens.

THE LIMITED-PURPOSE BANK GROWTH CAP RELIEF ACT

HON. MICHAEL N. CASTLE

OF DELAWARE

IN THE HOUSE OF REPRESENTATIVES

Friday, April 7, 1995

Mr. CASTLE. Mr. Speaker, today I am introducing legislation to lift an arbitrary, necessary and outdated regulatory burden from well-run financial services companies that provide much needed credit to American consumers. My colleague, Mr. LAFALCE of New York and I are sponsoring this legislation to lift the 7-percent growth cap on the annual asset growth of limited-purpose banks. We are pleased to have Representatives BILL MCCOLLUM, RICHARD BAKER, BARNEY FRANK, PETER KING, ED ROYCE, CAROLYN MALONEY, DICK CHRYSLER, and JON FOX join us as original cosponsors of the Limited-Purpose Bank Growth Cap Relief Act.

Limited-purpose banks are specialized lenders—most of these banks are credit card lenders operating on a national basis. They make consumer credit more available to all Americans. The growth cap on these banks was imposed under the 1987 Competitive Equality Banking Act [CEBA]. At the time of CEBA's enactment, it was argued that because limited-purpose banks could be affiliated with firms whose businesses were not permissible for bank holding companies (securities, insurance and commerical enterprises) they had a competitive advantage over full-service banks. The cap was intended only to be temporary, and Congress would lift it when interstate banking and branching and expanded bank activities were approved. Interstate banking and branching became law in 1994, Federal regulators have already greatly expanded approved bank financial activities, and Congress is providing regulatory relief to commercial banks. Limited-purpose banks are not a competitive threat to commercial banks. The growth cap has become an unprecedented restriction on a healthy, well-regulated industry and it no longer serves any useful purpose. The cap is actually forcing these banks to turn away customers.

Will lifting the growth cap give these banks an unfair edge over their competitors? No, the CEBA banks are still subject to many other restrictions not applicable to commercial banks. For example, they cannot accept checking and demand deposits or engage in commercial lending; they can only accept savings or certificates of deposit of $100,000 or more; and, they cannot cross market financial services with their affiliates. We are not proposing to lift those restrictions, but simply to lift the growth cap for the 23 existing CEBA banks. The original fear was that a proliferation of limited-purpose banks would be a competitive threat to full service banks. This was addressed in CEBA by prohibiting the creation of new limited-purpose banks. Allowing the assets of the surviving CEBA banks to grow by more than 7-percent annually will not result in the creation of new banks, change the limitations to which the grandfathered banks are subject, or otherwise threaten full service banks.

This legislation will simply allow limited-purpose banks to grow in response to their customers' needs. It will not undermine the safety or soundness of any institution or pose an unfair competitive threat to any other financial institution. If you believe in regulatory relief and allowing well-run companies to fully serve their customers, we hope our colleagues will join us in supporting this legislation to lift the 7-percent asset growth cap form all limited-purpose banks.